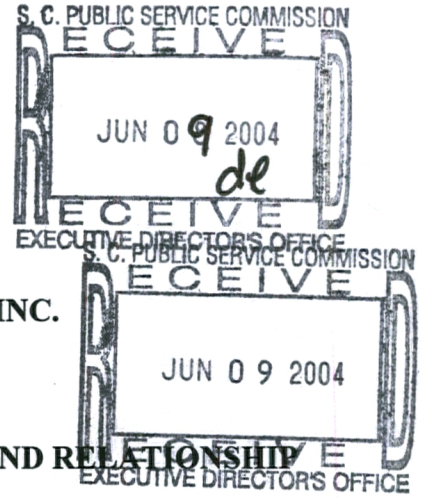


S.A.5 Legal 1

POSTED
9 June 2004



DIRECT TESTIMONY
OF
JEFFREY L. LAWRIMORE
ON BEHALF OF
FARMERS TELEPHONE COOPERATIVE, INC.
DOCKET NO. 2004-110-C



Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND RELATIONSHIP WITH FARMERS TELEPHONE COOPERATIVE, INC.

A. My name is Jeffrey L. Lawrimore. I am Chief Financial Officer of Farmers Telephone Cooperative, Inc. ("FTC").

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. In 1975, I graduated from University of South Carolina with a degree in Accounting. I am a certified public accountant. I was employed with the South Carolina Public Service Commission from June 1975 through September 1978. I was employed in public accounting from then until July of 1998 when I assumed my current position with FTC.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony is offered for the purpose of providing information related to the depreciation rate for a portion of its EWSD Central Office Switches in support of the request by FTC for approval by the Commission of a rate of 25% for its net plant investment.

Q. WHY DOES FTC SEEK TO INCREASE THE EXISTING DEPRECIATION RATE?

OK RNG
RETURN DATE: NOT ON DMS YET!
SERVICE: OK RNG

1 A. FTC sees the need to move toward a packet switched network. One of the steps
2 necessary to accomplish this move is to add soft switches to our network. We believe
3 this transition is necessary to achieve operational and cost efficiencies as well as to
4 ensure our members have access to the highest quality telephone service.
5 The deployment of a soft switch will immediately take the trunk side portion of the
6 current switches out of service. Over time, as the soft switches improve their line side
7 functionality, we see the current switches being removed from service completely. FTC
8 believes, through information it has accumulated, that the line side capability of the soft
9 switch will be fully developed in no more than 4 years. FTC does not want
10 undepreciated assets in its rate base that cannot serve its members and customers.

11 **Q. WHAT PURPOSE IS BEING SERVED BY DEPLOYING SOFT SWITCHES?**

12 A. As I stated, FTC sees the need to move to a packet switched network. However, there are
13 other significant advantages for FTC that will occur immediately. The current switches
14 require FTC to add GR303 interfaces to the trunks to the EWSD switches it employs.
15 These interface connect the digit loop carriers FTC has in the field back to the switch.
16 These interfaces cost \$2,500 each. By placing the soft switch in the network on the trunk
17 side, FTC can avoid this cost. Our current estimates are that FTC would need as much as
18 \$750,000 in future GR303 trunk interfaces. This would more than exceed the cost of a
19 soft switch. The placement of a soft switch in the network would make the current
20 switches subservient to the soft switch. This means the current switches would provide
21 dial tone and class features. This certainly diminishes the value of these switches to the
22 customer as well as FTC. As it stands today FTC has switching capability in 25

1 locations. Seven of those locations require personnel on site to monitor the switch
2 equipment. A single soft switch could accomplish the same tasks as the multiple
3 locations perform today. In the current telephony environment FTC sees the need to look
4 for opportunities to gain efficiencies in cost and operations.

5 **Q. WHAT IMPACT DO YOU EXPECT THE NEW DEPRECIATION RATE**
6 **WOULD HAVE ON S.C. UNIVERSAL SERVICE FUND?**

7 A. None.

8 **Q. WHAT IMPACT DO YOU EXPECT THE NEW DEPRECIATION RATE**
9 **WOULD HAVE ON INTERIM LEC FUND?**

10 A. None.

11 **Q. WILL A DEPRECIATION RATE OF 25% BE APPROPRIATE IN THE**
12 **CONTEXT OF REMAINING LIFE OF THE EWSD SWITCHES?**

13 A. Yes, a soft switch will be deployed by FTC and it will relegate the EWSD switches to a
14 subservient role providing only line side service functions. We expect these functions
15 will be phased out due to new equipment to marry the soft switch with line side
16 functionality which we expect to be available within 4 years. At that time the EWSD
17 switches will no longer have value to FTC.

18 **Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

19 A. FTC believes it is necessary to add soft switches to its network. FTC further believes the
20 addition of soft switches will render the current switching platform obsolete within a four
21 year period. FTC would like to accelerate depreciation on the switches it current has in
22 service in recognition of the pending obsolescence.

23

1 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

2 **A. Yes.**

3

4

5

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

DOCKET NO. 2004-110-C

In Re:)
)
Application of Farmers Telephone Cooperative,)
Inc. for Approval to Increase Depreciation of a)
Portion of its EWSD Central Office Switches)
_____)

CERTIFICATE OF SERVICE

This is to certify that I, Patricia J. Thompson, Secretary with Schwartz, McLeod, DuRant & Jordan, do hereby certify that I have this date served one (1) copy of Direct Testimony of Jeffrey L. Lawrimore in the above-captioned action to the persons named below by causing said copies to be deposited with the United States Postal Service, first class postage prepaid and affixed thereto this 8th day of June, 2004, addressed as follows:

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PATRICIA J. THOMPSON